

No. 18-1530

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**In the Supreme Court of the United States**

Enplas Display Device Corporation,

*Petitioner,*

v.

Seoul Semiconductor Company, Ltd.,

*Respondent.*

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**On Petition for a Writ of Certiorari to the  
United States Court of Appeals for the  
Federal Circuit**

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**REPLY BRIEF FOR THE PETITIONER**

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## REPLY BRIEF FOR THE PETITIONER

In the decision below, the Federal Circuit expanded the scope of the Patent Act to hold a foreign defendant liable for indirect patent infringement because it merely “knew of the *likelihood* that its [products] would end up in the United States.” Pet. App. 18a (emphasis added). That expansion squarely contradicts this Court’s precedent, which holds that awareness of “merely a ‘known risk’ that the induced acts are infringing” is insufficient to establish inducement liability. *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 770 (2011); *accord Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1927–28 (2015). It is also contrary to this Court’s cases on the presumption against extraterritoriality, which forbid courts from giving the Patent Act an “expansive” extraterritorial reach. *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 442 (2007). If left unchecked, the Federal Circuit’s unprecedented interpretation of 35 U.S.C. § 271(b) will lead to deleterious consequences both at home and abroad. Pet. 25–28. This Court’s review is urgently needed.

Tellingly, SSC does not even attempt to defend the Federal Circuit’s holding. Instead, SSC resorts to various mischaracterizations—of the panel’s opinion, of the record, and of the relevant legal principles.

*First*, SSC attempts to rewrite the decision below, claiming that the panel did not apply a “likelihood” standard at all. *See* BIO 1. But this contention is belied by the plain language of the opinion: The

court expressly held that a foreign company is liable for inducement if it knows of a “likelihood” that its products may be sold in the United States. Pet. App. 18a. That is an unambiguous—and unambiguously incorrect—statement of the law.

*Second*, SSC asserts that the petition seeks to contest the facts found by the jury and lower courts. BIO 1–2. But SSC does not identify any factual disputes; on the contrary, it relies on the very same facts as the petition and the Federal Circuit. The only dispute here is a legal one: whether those undisputed facts—which established at most that Enplas knew of a *likelihood* that its lenses would reach this country—sufficed to subject Enplas to liability for induced infringement.

*Third*, SSC misstates the law concerning the presumption against extraterritoriality, asserting that the presumption “has no role in this case at all” because § 271(b) applies to some extraterritorial conduct. BIO 2, 13. This Court has soundly and repeatedly rejected that argument, explaining that, even if a statute “specifically addresses an issue of extraterritorial application, [the presumption] remains instructive in determining the *extent* of the statutory exception.” *Microsoft*, 550 U.S. at 455–56 (alterations and citation omitted). Here, the presumption against extraterritoriality forbids the expansive interpretation of inducement liability adopted by the panel below. And, if that expansive approach is allowed to stand, the reach of this country’s patent laws will expand dramatically, in contravention of this Court’s instruction that

“foreign law alone, not United States law, currently governs the manufacture and sale of components of patented inventions in foreign countries.” *Microsoft*, 550 U.S. at 456.

This Court should grant certiorari and reverse the judgment below.

**I. The Federal Circuit’s expansion of liability under § 271(b) to ensnare foreign defendants who did not knowingly induce infringement in the United States conflicts with this Court’s precedents and the presumption against extraterritoriality.**

A. The Federal Circuit’s decision flatly contravenes this Court’s precedents and the presumption against extraterritoriality. Pet. 17–20. In *Global-Tech* and *Commil*, this Court held that a defendant may be held liable for induced infringement only if the defendant “*knew* . . . that ‘the induced acts constitute patent infringement.’” *Commil*, 135 S. Ct. at 1926 (emphasis added) (quoting *Global-Tech*, 563 U.S. at 766). Patent infringement, in turn, occurs only when a person uses or sells a patented invention “within the United States,” or “imports [a patented invention] into the United States.” 35 U.S.C. § 271(a). It follows, then, that to commit induced infringement, a defendant must *know* that it is aiding the use, sale, or importation of a patented product into “the United States.” And if there were any doubt on that question, it is resolved by “[t]he presumption that United States law”—especially U.S. patent law—

“governs domestically but does not rule the world.” *Microsoft*, 550 U.S. at 454. Accordingly, the Federal Circuit erred in holding that Enplas could be held liable for inducement merely because it “knew of *the likelihood* that its lenses would end up in the United States.” Pet. App. 18a (emphasis added).

Tellingly, SSC does not even attempt to defend the Federal Circuit’s holding. Nowhere in its brief does SSC argue that knowledge of a “likelihood” that a patented product will be sold domestically is sufficient to establish induced infringement. Instead, SSC rests its case against certiorari on the claim that the Federal Circuit *did not issue that holding at all*. BIO 1–2, 7–12 (denying that the Federal Circuit applied a “known risk” standard). But SSC’s position cannot be squared with the express language of the Federal Circuit’s opinion. And none of SSC’s attempts to rewrite the decision below holds water.

SSC first contends that the Federal Circuit applied the “proper legal standard for induced infringement” because it stated that “mere knowledge of *possible* infringement is not enough.” BIO 7, 9 (emphasis added) (quoting Pet. App. 18a). The Federal Circuit did say that—but on the very same page SSC cites, the court *also* stated that Enplas’s knowledge “of the *likelihood* that its lenses would end up in the United States” *was* sufficient to establish induced infringement. Pet. App. 18a (emphasis added). The Federal Circuit thus made clear that, in its view, knowledge of a “likelihood” of U.S. sales can serve as a basis for induced-infringement liability, provided that that likelihood



rises above a mere “possib[ility].” That is a statement of law, not a mere “application” of a correct legal standard. S. Ct. R. 10. And it is flatly incorrect. *See Global-Tech*, 563 U.S. at 770 (“a ‘known risk’ that the induced acts are infringing” is insufficient to establish liability).

SSC also claims that “the jury in this case found that Enplas knew of and intended to induce infringement in the United States.” BIO 10, 16-17 (emphasis omitted). That, too, is wishful thinking. The district court, like the Federal Circuit, upheld the jury verdict on the ground that Enplas “knew that some of th[e] televisions [in which its products were used] would *likely* be sold in the United States.” Pet. App. 54a (emphasis added). The jury was not required to find—as the law requires—that Enplas *knew* its products would be distributed in the United States. And neither the district court nor the Federal Circuit evaluated the jury’s verdict under that standard.

Finally, SSC repeatedly contends that Enplas seeks to re-litigate factual disputes concerning its knowledge and intent. *See, e.g.*, BIO 6, 9, 10–12, 23–24. But SSC does not identify any such factual disputes. Instead, SSC recites the same evidence set forth in Enplas’s petition and simply repeats the panel’s legal conclusion that this evidence was sufficient to establish inducement. BIO 25 (quoting Pet. App. 19a); *compare also* BIO 25–28 (discussing (i) Enplas’s knowledge of SSC’s patents; (ii) SSC’s pre-suit letter; (iii) Enplas’s instructions to customers; and (iv) Enplas’s worldwide market

share), *with* Pet. 18–20 (discussing these same four categories of evidence). As the Federal Circuit explicitly held, that evidence demonstrates, at best, knowledge of a risk or “likelihood” that some of Enplas’s lenses would be incorporated as components into products that might eventually reach the United States.<sup>1</sup>

SSC also misstates the record. It asserts that, “[a]fter being provided with direct evidence in this letter that its infringing lenses were entering the United States, Enplas continued to sell the same lenses to the same customers.” BIO 26. Even the panel did not suggest that Enplas continued its allegedly inducing acts after receiving SSC’s letter. *See* Pet. App. 17a–18a. That is because the record does not support this contention. The Joint Appendix citation provided by SSC (reproduced at Supp. App.

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<sup>1</sup> SSC also accuses Enplas of “improperly cherry-pick[ing] four pieces of evidence.” BIO 25. But these “four pieces of evidence” are precisely what both the Federal Circuit and SSC relied upon in their analysis. *See* Pet. App. 17a–18a; BIO 25–28. Furthermore, SSC’s own discussion of that evidence demonstrates the error of the Federal Circuit’s reasoning. For example, SSC echoes the Federal Circuit’s reliance on Enplas’s 50% worldwide market share as supporting the jury’s inducement finding. BIO 28 & n.4. SSC states that “the United States accounted for approximately one-fifth of the worldwide market for televisions using the type of light-bar lenses at issue.” *Id.* at 28 n.4. This proves Enplas’s point: if the U.S. market is only 20% of the worldwide market, Enplas could easily have maintained a 50% worldwide market share and never had its lenses go to the United States, particularly given that all of its customers were Asian. Pet. 20 & n.3.

1a) suggests, at most, that Enplas made sales of lenses in 2014, but it does not indicate that those sales were made to suppliers with any relationship to the United States, much less that the sales were to the customers whose products were identified in SSC's 2013 letter. The evidence of inducement relied on in SSC's appellate brief (cited at BIO 26) consisted of sales receipts of televisions containing EDD lenses that were purchased, at the latest, on November 5, 2013. That means that the alleged acts of inducement that led to the incorporation of EDD lenses into those televisions occurred long *before* SSC's October 2013 letter.

**B.** In addition to denying that the Federal Circuit issued the holding it clearly issued, SSC claims that the presumption against extraterritoriality has no role to play in evaluating the Federal Circuit's decision. BIO 12-20. According to SSC, Enplas's reliance on the presumption against extraterritoriality is "mere 'window dressing'" because § 271(b) applies to some extraterritorial conduct (namely, conduct carried out abroad with the specific intent to cause *domestic* infringement). BIO 13-15.

That argument cannot be squared with this Court's precedents, which recognize that, even if "a statute provides for some extraterritorial application, the presumption against extraterritoriality operates to limit that provision to its terms." *Morrison v. Nat'l Australia Bank Ltd.*, 561 U.S. 247, 265 (2010). In *Microsoft*, for instance, the Court held that, even though 35 U.S.C. § 271(f)

had *some* extraterritorial reach, the presumption “remain[ed] instructive in determining the *extent*” of that reach—namely, whether the term “component” in the statute encompassed software code. 550 U.S. at 455–56.<sup>2</sup> A similar conclusion is appropriate here: The presumption against extraterritoriality counsels against the Federal Circuit’s lax construction of § 271(b) to hold that knowledge of a mere “likelihood” of U.S. sales is sufficient to support a finding of inducement.

SSC also contends that the application of the presumption against extraterritoriality is “limit[ed] ... to statutory construction.” BIO 16. But statutory construction—specifically, the proper reach of § 271(b) as construed in *Global-Tech* and *Commil*—is precisely what is at issue here. And the presumption tugs strongly against the Federal Circuit’s unprecedented expansion of liability under § 271 to encompass foreign actions involving foreign customers and not directed knowingly toward the United States.

C. The presumption against extraterritoriality also forbids the Federal Circuit’s “circumstantial

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<sup>2</sup> SSC’s statement that the *Microsoft* Court construed the word “component” “without any discussion of, or reference to, the presumption against extraterritoriality,” BIO 16, is simply wrong. Indeed, the Court could hardly have been clearer on this point. “Applied to this case,” the Court explained, “*the presumption tugs strongly against construction of § 271(f) to encompass as a ‘component’ not only a physical copy of software, but also software’s intangible code.*” *Microsoft*, 550 U.S. at 455 (emphasis added).

evidence” approach to induced infringement, under which that court will find the requisite scienter based on evidence that is untethered to any conduct that occurred in, or was directed to, the United States. *See* Pet. 23–24. Under the Federal Circuit’s approach, a court may find induced-infringement liability whenever (i) the defendant intends to induce conduct that *would be infringing if performed in the United States* and (ii) infringement in the United States in fact resulted. But such a conclusion is not permissible under *Global-Tech* and *Commil*, which require that the defendant know and specifically intend that infringing acts will be performed *in the United States*. *Global-Tech*, 563 U.S. at 765–66.

SSC’s rejoinder—a general defense of the use of circumstantial evidence to prove intent, BIO 17–20—misses the point. There is nothing wrong with circumstantial evidence per se. But there *is* something wrong with deeming circumstantial evidence of intent sufficient to satisfy § 271(b) when that evidence is unrelated to any conduct that occurred in, or was directed to, the United States. Hinging liability on sales with no domestic nexus contravenes *Global-Tech* and creates the very expansion of U.S. liability that the presumption of extraterritoriality counsels against.<sup>3</sup>

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<sup>3</sup> A separate petition is currently pending seeking review of a similarly unrestrained extraterritorial application of U.S. law. *Nestle USA, Inc. v. Doe*, No. 19-416. The Court may wish to consider both cases to clarify and reaffirm the limits imposed by the presumption against extraterritoriality.

**II. The question presented is important because the Federal Circuit’s approach presents a serious danger of international friction.**

SSC fails to rebut the petition’s showing that the Federal Circuit’s decision is hugely consequential. *See* Pet. 25–28. Before the decision below, neither the Federal Circuit nor this Court had ever applied § 271(b) to reach foreign sales of a product by one foreign company to another foreign company, where there was no evidence that the first company knew—much less intended—that the product would eventually be sold in the United States. Under the panel’s reasoning, the scope of § 271(b) is breathtakingly broad. Virtually any foreign transaction involving a potentially infringing product could subject the participants to inducement liability under U.S. law, so long as there is some chance that the product will end up in the United States.

SSC once again asserts—boldly, but incorrectly—that the panel below did not expand the law. BIO 21, 24–25. But SSC is unable to cite even a single case in which a court imposed liability on a foreign defendant in the absence of evidence that the alleged infringer knew or intended that its conduct would result in domestic infringement. In the one case SSC cites, *see* BIO 21, the Federal Circuit found the defendant liable for induced infringement because the defendant “*knew* that [the infringing product] was to be sold in the United States.” *Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1304 (Fed. Cir. 2012)

(emphasis added). The panel here dramatically watered down that requirement.

SSC also disputes whether the panel’s expanded conception of § 271(b) could result in double recovery, stating that “[i]t is inaccurate to suggest that the measure of damages here is based on, or flows from, extraterritorial acts.” BIO 22. That is nonsensical. The *only* actions Enplas took in this case were extraterritorial—it is undisputed that Enplas made all its sales of lenses in Asia to other Asian customers. So the damages here *necessarily* flow from extraterritorial acts. That means that Enplas could be subject to infringement liability twice—once under U.S. law, and once under the law of the jurisdiction in which the sales were made. Pet. 26.

In short, the question presented is extremely important, and it can only be resolved by this Court. Given the Federal Circuit’s exclusive jurisdiction over cases under the Patent Act, there is no possibility of further percolation in the lower courts concerning the scope of § 271(b), and no possibility of a circuit split. This Court’s intervention is thus warranted now.

**III. This case is an excellent vehicle through which to address the extraterritorial reach of § 271(b).**

As explained in Enplas’s petition, this case is an excellent vehicle to address the question presented. Pet. 28–29. SSC’s contrary arguments do not withstand scrutiny.

SSC contends that the question presented “was not timely raised or argued to the Federal Circuit” because Enplas did not explicitly rely on the presumption against extraterritoriality in its merits briefing on appeal. BIO 23. This assertion is premised on a misunderstanding of what is required to preserve an argument. “Once a ... claim is properly presented, a party can make any argument in support of that claim; parties are not limited to the precise arguments they made below.” *Yee v. City of Escondido, Cal.*, 503 U.S. 519, 534 (1992). Enplas has argued at each stage of these proceedings that the evidence is insufficient to support liability under § 271(b) because Enplas “did not *know* if the specific TVs containing [its] lenses would be sold in the United States.” Enplas Br. 53–59, *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 16-2599, Dkt. 15 (Fed. Cir. Oct. 31, 2016) (emphases altered); see EDD’s Post-Trial Mots. 15–16, *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, No. 3:13-cv-05038, Dkt. 484 (N.D. Cal. May 2, 2016) (similar). Both the District Court and the Court of Appeals passed on that very argument. See Pet. App. 15a–19a, 53a–54a. The presumption against extraterritoriality simply provides further reason why the position Enplas has taken throughout this litigation is correct.

SSC also recycles various arguments from elsewhere in its brief in opposition: that the Federal Circuit applied the correct legal standard; that there is “evidence in the record” establishing that Enplas knew that its products would end up in the United



States; and that the panel below did not change the law. BIO 24–25. Each of those claims is meritless, as explained above. Accordingly, none of them provides a reason for this Court to stay its hand before intervening to review the Federal Circuit’s clear, and highly consequential, error of law.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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**SUPPLEMENTAL APPENDIX**

**DAVIS – DIRECT / WOODHOUSE**

total sales accused of infringement in this case of about \$7.3 million.

**Q.** And Ms. Davis, do you have any reason to believe that the actual sales could be higher than the numbers depicted in DTX-1187?

**A.** Yes, I do. Because as you see, the column here, 2014, is the most recent information I have. EDD did not report any information related to 2015 sales, or of course 2016 sales.

**Q.** And I think for the jury, it might be easy to -- or easier to see if we could turn to DDX-5.009.

And is this the summary of these sales?

**A.** This is the exact summary we were looking at on the other page that's now a little bit easier to read because the typeface is larger.

**MS. WOODHOUSE:** If we could turn back to the summary of the factors of the hypothetical negotiations, the next slide, Mr. Schmoller.

**Q.** So we spoke about the first one. If we could move on to the second: The impact of the hypothetical licenses on the parties.

Can you explain what is meant there?

**A.** Well, now that we've determined what the volume of the sales is, one of the next considerations that the negotiators would address would be what's the impact on SSC if it gives a license to EDD to use the patented technology? And what we